

THE PLOT THICKENS FORMATS, SEQUELS AND SPINOFFS AFTER GOGGOMOBIL

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The film and television industry trades in intangible rights, working in illusion and make-believe. Format rights and the right to produce sequels, prequels, spin-offs and remakes are notorious smoke and mirrors. Demands are made, deals negotiated, letters exchanged, contracts executed, money paid. The illusory evanescence is made real. If anyone asks any questions someone might mutter something about Jaws,² whilst others might mumble in reply about a New Zealand clap-o-meter.³ The recent Goggomobil⁴ case offers a rare insight into this opaque area of law.

Australian Practice

In Australian film financing, the investors usually require the producer to assign to the investors the “ancillary rights” in the film, and require the producer to provide a chain of title opinion letter from a lawyer confirming that the producer owns the ancillary rights. The ancillary rights are defined to include the right to produce or authorise the production of sequels, prequels, spin-offs and remakes.

For example, the standard form Australian Film Finance Corporation⁵ Production and Investment Agreement (“PIA”) requires the producer to assign to the investors the Ancillary Rights. The PIA defines Ancillary Rights to include the right to produce or authorise the production of Sequels, Spin-offs and Remakes.

The PIA defines each of these as follows:

“Sequels includes any cinematograph film featuring one or more leading characters in the Film taking part in events that are different from but related to and developed from the events of the Film.

Remakes means any cinematograph film based upon the Work or the Film with substantially the same major characters and storyline as portrayed in the Film.

Spin-off includes any cinematograph film that features and develops some or all of the characters, characterisations, scenarios, events, sequences, names and titles of the Film or any other cinematograph film that is part of the same series as the Film.”

The investors argue that the revenue generated by formats, and sequel, spin-off and remake rights were generated by their investment in the initial film, and argue that the

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² *Zeccola v Universal City Studios Inc* (1982) 46 ALR 189

³ *Green v Broadcasting Corporation of New Zealand* [1988] 2 NZLR 490

⁴ *Telstra Corporation Ltd v Royal & Sun Alliance Insurance Australia Limited* [2003] FCA 786 (Merkel J, 1 August 2003)

⁵ Thanks to Keith Lupton, FFC Legal Counsel

assignment of the rights to the investors protects the investors' right to share in the further revenues.

Format licensing has been described as local production of a television program, based on a format or concept of a television program that may have been produced elsewhere, and which is "reversioned" using local talent.⁶ Protection of the format is "a somewhat shaky proposition."⁷ However, the licensor often offers production support, know-how and other materials to make the format work such as onsite consultants, production bibles, market research and software. Some of the cases which appear to involve intellectual property rights in the format are often ultimately argued as breach of contract or breach of confidence relating to this know-how and other material.⁸

Format and spin-off rights are also becoming increasingly important with the explosion in gaming. Format and spin-off rights are critical in translating films into games such as The Matrix film into The Matrix game, and translating video, PC and console games into consumer electronics and hand-held wireless devices like mobile phones, such as Nokia's N-Gage.

Goggomobil

In *Telstra Corporation Ltd v Royal & Sun Alliance Insurance Australia Limited*,⁹ the Federal Court considered whether television and radio advertisements created by Wilson and Everard ("**Wilson**") advertising Royal and Sun Alliance trading as Shannon Insurance ("**Shannon**") infringed Telstra's rights in a Telstra Yellow Pages ("**Yellow Pages**") television advertisement. Telstra alleged that Shannon appropriated the format, story and character that appeared in the Yellow Pages advertisement.

Telstra's claim was in copyright and passing off. For practical reasons, it would be preferred if copyright rather than passing off protected format rights, and the right to produce sequels, prequels, remakes and spin-offs.

First, copyright is discrete personal property, which may be assigned, licensed or transmitted by will.¹⁰ In contrast, the only person entitled to bring a claim for passing off is the person who has the reputation. Reputation is slippery to define, and may only be assigned as part of the assignment of a business as a going concern.

Second, copyright arises on creation and continues for a statutorily defined period. In contrast, passing off depends on promotion and trading, which may take significant time and effort to develop, and may take time and effort to maintain.

Third, copyright is protected by a series of international treaties such as the Berne Convention and the WTO TRIPS Agreement. This means it is conducive to transactions involving parties from different countries. In contrast, passing off is protected by piecemeal national laws, and depends on the laws of the particular jurisdiction.

⁶ Dohnal, J "TV Formats: Still The Weakest Link" (2002) 21 CLB

⁷ *ibid*

⁸ see for example *Concept Television Productions v ABC* (1988)

⁹ *Telstra supra n4*

¹⁰ s196 Copyright Act

Fourth, the Copyright Act provides a number of statutory evidentiary presumptions about authorship, ownership and year of creation.¹¹ In contrast, in passing off the claimant has the full evidentiary burden.

Alas, Merkel J rejected Telstra's copyright claim, but accepted Telstra's passing off claim. However, close analysis of the judgment however reveals that the case turned on a few key facts, so the case may be able to be distinguished.

Telstra's Advertisement

Telstra's Yellow Pages advertisement ("**Yellow Pages Advertisement**") involved a character who owns a rare distinctive and relatively unknown type of car called a Goggomobil. The advertisement opened with the character trying to fix the car in the driveway. The character then moved into a house, opened the Yellow Pages and started ringing people for help with the car, watched by his wife. The character says the name of the car in a thick Scottish accent. The character becomes increasingly frustrated as people do not know what he is talking about, and starts spelling out the name of the car in the Scottish accent. Finally, the character finds someone who knows what he is talking about. The advertisement fades to the Yellow Pages logo.

Later, Telstra resurrected the character to advise people to look out for the delivery of its new Yellow Pages directory.

Shannon

Shannon specialised in insuring vintage, veteran or classic motor vehicles. Shannon engaged Wilson to create an advertising campaign.

Yellow Pages was approached to reproduce parts of the Yellow Pages Advertisement. Yellow Pages asserted copyright subsisted in Yellow Pages advertisement, and refused permission. Shannon instructed Wilson to create a script that did not reproduce the Yellow Pages Advertisement.

Shannon Advertisement

The first Shannon advertisement ("**First Shannon Advertisement**") featured the same actor playing the same character, with the same make of car, albeit a different model and different colour. The character is in the driveway, rather than inside the house, and making calls from his mobile rather than from a landline. He is not watched by his wife. He is not using the Yellow Pages to find numbers to ring. However, he makes a number of calls, says the name of the car, and when it appears that people do not know what he is talking about, becomes frustrated and says the letters of the name of the car. Again, he speaks with a Scottish accent. Again, he is delighted when he finally encounters someone knows what he is talking about.

Shannon's marketing consultant informed Telstra that they had rescripted Shannon's advertisement to avoid any reproduction of the Telstra advertisement. Telstra replied that the advertisement conveyed an association with, endorsement or affiliation by Telstra.

¹¹ Part V, Division 4 of the Copyright Act – Proof of Facts in Civil Actions

Shannon made some minor changes to the script,¹² and further changes were made during production.

Shannon then produced a second advertisement (“**Second Shannon Advertisement**”) which featured the same actor playing the same character and the same make of car, albeit a different model and different colour. In the Second Shannon Advertisement, the voice-over and the character engage in a dialogue about Shannon’s insurance policy. The character makes no phone calls. The character speaks in a Scottish accent, but does not say the car name, or spell out the car name. However, he does pronounce the “O” in the phone number the same way as he pronounced “O” in Goggomobil.

Shannon also produced four radio advertisements (“**Shannon Radio Advertisements**”) that were also in the form of a dialogue between a voice and the character providing information about Shannon’s insurance policy. Again, the character does not say the car name or spell out the car name, but he does pronounce the O’s in the phone number in the same distinctive way and all involved the use of a telephone.

Copyright

In Australia, copyright and other subject matter are protected by the Copyright Act 1968 (Cth) (“**Copyright Act**”).

cinematograph films

The Copyright Act protects cinematograph films.¹³ Copyright in a cinematograph film is infringed if a person who is not the owner of copyright does or authorizes the doing of any act comprised in the copyright without the copyright owner’s licence,^{14,15} including making a copy of the film, causing the film to be seen in public or communicating the film to the public.

Copy in relation to a cinematograph film is defined as any article or thing in which the visual images or sounds comprising *the film* are embodied.¹⁶ (emphasis added) This means that the infringing copy must be a copy of the actual film, the actual embodiment, not the elements of the film or the plot of the film. A film which is a look-alike of the original film or which draws from the original film will not infringe copyright in the film.

In *Zeccola v Universal City Studios Inc*,¹⁷ Zeccola produced a film “Great White” similar to the studio’s film “Jaws”. Zeccola’s counsel submitted that its film could not be said to constitute an infringement of any copyright of the respondents in the film ‘Jaws’ unless it was an exact or facsimile copy of the film ‘Jaws’, and cited Professor Lahore’s work “Intellectual Property”. The Full Federal Court said that they did not find it necessary to answer this question because the studio was successful on other grounds. However, they noted that it raised important and difficult questions.

¹² Changes included spelling of Goggomobil, saying “Two G’s, no E” rather than spelling out, and stopping after saying the first G a number of times.

¹³ s86 Copyright Act

¹⁴ s101 Copyright Act

¹⁵ s86 Copyright Act

¹⁶ s10 “copy” Copyright Act

¹⁷ Zeccola supra n2

In the more recent British case of *Norowzian v Arks Limited*,¹⁸ the English Court of Appeal held that Guinness' commercial "Anticipation" which had similar jump cut editing, theme and plot to the art student film "Joy" did not infringe "Joy" as it was not a copy of the actual "Joy" film.

As such, even though a film may use similar characters, themes and plots to another film, it may not infringe copyright in the film because they are not facsimile copies of the other film.¹⁹

Notably, Telstra did not claim infringement of copyright in the cinematograph film which was the Yellow Pages Advertisement itself.

literary work

Even though a film may not infringe copyright in the original film, the film may infringe copyright in the literary work that is the script of the original film.

Telstra argued that Shannon infringed copyright in the Yellow Pages Advertisement's script ("**Yellow Pages Script**") as a literary work. However, Telstra faced significant threshold difficulties in making out its claim, as there was an issue as to whether copyright subsisted in the Yellow Pages Script.

Telstra's first difficulty was that the Yellow Pages Script that it relied on was the synopsis of the Yellow Pages Advertisement. Telstra failed to establish the precise form and content of the original script.

Telstra's second difficulty was that key features of the Yellow Pages Advertisement were improvised in the course of production, and so did not appear in the Yellow Pages Script. The Yellow Pages Script was not detailed, and differed markedly from the Yellow Pages Advertisement.

Curiously, it appears that Telstra did not argue that the Yellow Pages Advertisement's shooting script, what actually happened on screen, was the script they were relying on. The shooting script may not have been written down in words, but it still had material form, as it was fixated in the Yellow Pages Advertisement itself.

Ultimately, Merkel J assumed without deciding that the synopsis reflected the original script, and assumed copyright subsisted in the Yellow Pages Script.

Merkel J's analysis suggests that scriptwriters who favour vague outlines, advertising agencies who use concept documents, and directors who workshop the script during rehearsal or allow improvisation during production,²⁰ may limit copyright protection.

¹⁸ *Norowzian v Arks Limited, Guinness Worldwide Ltd and Guinness plc (No 2)* [2000] FSR 363

¹⁹ Query whether the requirement that the "copy" is a facsimile copy is consistent with the Berne Convention and WTO TRIPS which provides that the authors of cinematograph films should have a right of reproduction. In particular, A9 Berne Convention provides that authors of "literary and artistic works" have the exclusive right of authorising reproduction of their works. A2 defines "literary and artistic works" to include cinematographic works and works expressed by a process analogous to cinematography.

²⁰ consider for example the British director Mike Leigh ("Secrets and Lies") and the Australian director Bill Bennett ("Kiss or Kill") who rely on improvisation during production

dramatic work

Alternatively, the film may infringe copyright in a dramatic work. Dramatic work is defined to include a scenario or script for a cinematograph film.²¹ Usually, the claimant is relying on the script as the dramatic work.

In *Aristocrat Leisure Industries Pty Ltd v Pacific Gaming Pty Ltd*, considered that the appropriate approach was as analysed in the English copyright textbook Copinger²² Tamberlin J said that the concept of dramatic work has a minimum requirement of some type of performance. The performance does not have to be humans and may include cartoon characters.²³

In addition, Tamberlin J considered that a dramatic work must be sufficiently pre-determined. Tamberlin J held that the specifications for the poker machine games were not dramatic works. He said

“the specifications.... are insufficiently predetermined, to amount to "dramatic works". There is no apparent plot, nor is there any choreography, script, characterisation or interaction between characters and there is a strong element of unpredictability and randomness. None of these elements are essential or individually determine the question but, weighing them cumulatively, I am led to the conclusion that the specifications do not give rise to any dramatic work.”

In *Green v Broadcasting Corporation of New Zealand*,²⁴ the New Zealand Court of Appeal considered whether the scripts of a television talent show, “Opportunity Knocks” were dramatic works. The New Zealand Court of Appeal (which was upheld by the Privy Council) held that the scripts were no more than the skeleton outline or framework of the manner in which the television show would be conducted. As such, there was no copyright in the scripts. However, Somers J said that it was possible for that a general idea or concept could be “delineated by or attended with detail or pattern or incidents sufficiently substantial to attract copyright in the whole”²⁵

In contrast, in *Zeccola v Universal City Studios Inc*, the Full Federal Court considered that the screenplay of the film “Jaws” was sufficiently original. Lockhart and Fitzgerald JJ said the combination of the principal situations, singular events and basic characters was sufficient to constitute an original work that could be protected under Australian copyright law.

Telstra argued that Shannon infringed copyright in Telstra’s dramatic work. However, Telstra did not rely on the Yellow Pages Script as the dramatic work, but instead argued that the story in the Yellow Pages Advertisement was the dramatic work. Telstra argued that the definition of dramatic work is inclusive and is not limited to scripts, but could include a series of dramatic events making up the story.

²¹ s10 “dramatic work” Copyright Act

²² para 3.26 *Copinger & Scone James On Copyright* 14th ed. 1999

²³ *Aristocrat Leisure Industries Pty Ltd v Pacific Gaming Pty Ltd* (2000) 105 FCR 153. The case is reported on appeal at (2002) AIPC 191-759. However, this point was not considered on appeal

²⁴ *Zeccola* supra n3

²⁵ *ibid* at 497 per Somers J

Structuralism and literary theory describe the story as the dramatic structure, the skeleton of the action, the roles and functions of the particular characters. The plot is the way that the story is told, the arrangement of the scenes.²⁶

Merkel J analysed the advertisement and said that the series of dramatic events included

- oil leaking from a yellow Goggomobil sitting on a jack in the enthusiast's driveway
- the enthusiast's wife looking concerned as he flicks through a publication to find the phone number of someone who can help him repair his Goggomobil;
- the enthusiast's frustration at not being able to find someone who understands what a Goggomobil is;
- the need for the enthusiast to slowly repeat the word "Goggomobil" and later to spell it out slowly to try to communicate his problem;
- the enthusiast's elation when he finds a supplier who not only knows what the Goggomobil is but who can differentiate between particular models of Goggomobils;
- the happiness of the enthusiast with the outcome.

Merkel's analysis suggests that the elements of the copyright work are events rather than words, and the expression is the plot, the way that the events are played out, the arrangement of the events. If Telstra was successful, it would have heralded the beginning of some sort of protection of format rights and remake rights.

However, Merkel J said this claim had significant difficulties, as he said it was premised on the proposition that copyright can subsist notwithstanding that the work has not been reduced to material form.²⁷ It may be that Telstra's submission did not go that far – the dramatic work could have been fixed in the film itself, which was a distinct copyright from the dramatic work.

Merkel J did not refer to *Nine Network v ABC*²⁸ where Hill J decided in an interlocutory judgment that a series of events, the Year 2000 fireworks played over Sydney Harbour Bridge, could not be characterised as a dramatic work, notwithstanding that there was a plan for the fireworks so the series of events was in material form.

In addition, Merkel J did not canvass the conceptual difficulties highlighted by the US scenes a faire doctrine. The scenes a faire doctrine recognises that the range of protectible expression for a particular idea may be narrowly constrained by convention or function. In the context of drama, there are only so many ways to tell a story,²⁹ there are

²⁶ Rebikoff, S "Restructuring Test for Copyright Infringement in Relation to Literary and Dramatic Plots" (2001) 25 MULR 340

²⁷ This would be a brave submission - copyright started as a publisher's prerogative and material form is a cornerstone of copyright law - see Finkelstein J's decision at first instance in *Telstra v Desktop Marketing Pty Ltd* (2001) 181 ALR 134. There would also be significant practical evidentiary difficulties if copyright subsisted in dramatic work without material form – the court would have no definitive copy of the work to compare the infringing work to.

²⁸ *Nine Network v Australian Broadcasting Corporation* (2000) 48 IPR 335

²⁹ In the seminal work "The Hero With A Thousand Faces" (1949) Princeton University Press, Joseph Campbell suggested that the hero's quest follows the same format and structure in myths throughout

only so many ways to build up tension, to develop character. The scenes a faire doctrine provides that characters, scenes or events which form part of conventional storytelling, or which necessarily follow from a certain theme or plot are treated like ideas and in the same way that copyright in the United States does not protect ideas, copyright in the United States will not protect the standard or common expression of that idea. For example, in *Zambito v Paramount Pictures Corp*³⁰ the court considered whether “Raiders of the Lost Ark” infringed copyright in another screenplay. The court said that treasure hidden in a cave, a wary traveller seeking solace in a tavern, and birds frightening intruders in the jungle were common scenes in a swashbuckling adventure story, “indispensable elements to the treatment of the Raiders theme”, and were not protectible. The standard expression will be filtered out and not form part of protectible expression.³¹ Copyright protection will be very thin and copyright will only be infringed if it is a virtually identical copy.³² Merkel J did not consider whether the story arc in the Yellow Pages Advertisement were commonplace scenes a faire.

Merkel J ultimately assumed without deciding that copyright subsisted in such a dramatic work. This leaves the issue open whether copyright can subsist in a series of dramatic events, and to what extent the scenes a faire argument is applicable in Australia.

Infringement

Even if copyright subsists in the script of the original film, or in the series of dramatic events, the issue is to what extent that script is infringed or the series of dramatic events is infringed when someone takes the format of the original, or produces a sequel, prequel, remake or spin-off of the original.

Copyright in a literary work and in a dramatic work is the exclusive right to reproduce the work in a material form, to publish the work, to perform the work in public, to communicate the work to the public, to make an adaptation of the work, or to do any of the foregoing in relation to adaptation of the work.³³

Importantly, “reproduction in material form” is not the same thing as “making a copy”. A reproduction in material form is reproduction in any form of storage (whether visible or not) from which the work or adaptation, or a substantial part of the work or adaptation, can be reproduced.³⁴

Unlike a cinematograph film, copyright in a literary work or a dramatic work may be infringed even if it is not an exact facsimile copy. A reproduction does not even have to be in the same dimensional form. A dramatic work is deemed to have been reproduced in material form if a cinematograph film is made of the dramatic work, and the copy of the film is deemed to be the reproduction.³⁵ In addition, a dramatic work is deemed to

the world, throughout the ages. See also Vogler, C “The Writer’s Journey: Mythic Structure for Writers” (1993) Michael Wiese Productions

³⁰ *Zambito v Paramount Pictures Corp*³⁰ (2nd Circ) (1985) 788 F 2d

³¹ *Computer Associates Inc v Altai* (2nd Circ) (1992) 982 F 2d 693

³² *Apple Computer Corp v Microsoft Corp* (9th Circ) (1994) 33 F 3d 1435, *ETS-Hokin v Skyk Spirits Inc* (2003) 9th Circ 323 F. 3d 763

³³ s31(1) Copyright Act

³⁴ s10 “material form” Copyright Act

³⁵ s21(1) Copyright Act

have been reproduced in material if it has been converted into or from a digital or other electronic machine-readable form.³⁶

In addition, it is not necessary to reproduce the complete dramatic work to infringe copyright in the dramatic work – it is sufficient if a *substantial part* of the work has been reproduced.³⁷

There is no definition of substantial part in the Copyright Act. It is a question of fact to be determined having regard to all the circumstances.³⁸ The phrase "substantial part" refers to the quality of what is taken, rather than the quantity,³⁹ the essential or material features of a work.⁴⁰ In *Autodesk Inc v Dyason (No 2)*, Mason CJ considered that the essential or material features of the work could be ascertained by considering the originality of the part allegedly taken.⁴¹

Usually, substantial part is assessed *horizontally*, reproducing part of the actual expression. For example, if the copyright work consists of 10 words, the question is usually whether reproducing a sequence of 5 words of the 10 words is reproducing a substantial part of the work, or if the copyright work is a song, whether reproducing the riff or chorus of the song is reproducing a substantial part of the song.

However, substantial part may also be assessed *vertically*, reproducing the structure or architecture of the original work.⁴² Copyright is not limited to the precise words, and may extend to the situations and incidents and the way in which ideas are presented.⁴³ There may be no copyright in an idea. However, there comes a point where an unprotectible idea becomes so detailed and expressed that it becomes protectible.

The idea-expression dichotomy was considered in the context of dramatic works in *Nichols v Universal Picture Corporation*⁴⁴ by Learned Hand J who said

“Upon any work, and especially upon a play, a great number of patterns of increasing generality will fit equally well, as more and more of the incident is left out ... but there is a point in this series of abstractions where they are no longer protected, since otherwise the playwright could prevent the use of his ‘ideas’, to which, apart from their expression, his property is never extended. Nobody has ever been able to fix that boundary, and nobody ever can.”

More recently in Australia, in *Zeccola v Universal City Studios Inc*⁴⁵ the Full Federal Court noted that

³⁶ s21(1A) Copyright Act

³⁷ s14(1)(b) Copyright Act

³⁸ *Blackie & Sons Ltd v The Lothian Book Publishing Co Pty Ltd* (1921) 29 CLR 396

³⁹ *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 WLR 273

⁴⁰ *Autodesk Inc v Dyason [No.2]* (1993) 176 CLR 300 at 305

⁴¹ *ibid*

⁴² *Pacific Gaming v Aristocrat Leisure Industries Pty Ltd* (2002) AIPC 91-759. See also in the UK *IBCOS Computers Ltd v Barclay Mercantile Highland Finance Ltd* 1994 FSR 275, (1994) 29 IPR 25 and in the USA *Computer Associates Inc v Altai* (1992) 982 F.2d 693

⁴³ *Corelli v Gray* (1913) 30 TLR 116 at 117. per MR Cozens-Hardy; *Rees v Melville* (1914) MacG Cop Cas 168, 174 (Swinfen Eady LJ)

⁴⁴ *Nichols v Universal Picture Corporation* 45 F 2d 119, 121 (2nd Cir, 1930).

⁴⁵ *Zeccola supra n2*

“In general, there is no copyright in the central idea or theme of a story or play however original it may be; copyright subsists in the combination of situations, events and scenes which constitute the particular working out or expression of the idea or theme. If these are totally different the taking of the idea or theme does not constitute an infringement of copyright. Of necessity certain events, incidents or characters are found in many books and plays. Originality lies in the association, grouping and arrangement of those incidents and characters in such a manner that presents a new concept or a novel arrangement of those events and characters.”

It has been suggested that the issue of what is an essential or material part could be analysed by drawing on structuralism and literary theory.⁴⁶ The Full Federal Court in *Zeccola*⁴⁷ would suggest that the originality was in the story and the plot – the events, and the way those events were arranged or presented “the particular working out or expression of the idea or theme.”

It is necessary to consider the dramatic work as a whole rather than a list of similarities and differences. This was suggested by the Full Federal Court in *Zeccola*⁴⁸

“No doubt numerous factors, including differences of sequence and of dialogue, aspects of idea or theme which lack originality and various other matters were all properly to be considered, at least subconsciously but only as part of a process of forming an overall impression as to the originality of the respondent's novel, screen-play and film, the originality of the appellants' film, the extent of similarity or dissimilarity and whether or not there was copying.”

In *Telstra*, Merkel J repeated that copyright does not protect ideas or concepts but only the form in which they are expressed, and noted that it was not sufficient for Telstra to establish that Shannon reproduced the ideas, concepts or themes of the Yellow Pages Script or the series of dramatic events in the Yellow Pages Advertisement. He cited *Zeccola* that copyright could only subsist in the particular working out or expression of the idea or theme.

Telstra only alleged that First Shannon Advertisement infringed Telstra's copyright. Merkel J said compared Telstra's copyright works to the Shannon First Advertisement.

First, he compared the Yellow Pages Script with the Shannon First Advertisement. The Yellow Pages Script bore little resemblance to First Shannon Advertisement – indeed, the Yellow Pages Script was markedly different to the Yellow Pages Advertisement. Merkel J said that Shannon's copying in First Shannon Advertisement related to the concepts or themes employed in the Yellow Pages Script rather than the *expression of the concept or themes*.

Second, Merkel J compared the series of dramatic events in the Yellow Pages Advertisement with First Shannon Advertisement. Merkel J held that there was a

⁴⁶ Rebikoff supra n26

⁴⁷ Zeccola supra n2

⁴⁸ ibid

significant resemblance in the concept or theme of Telstra's series of dramatic events in the Yellow Pages Advertisement and First Shannon Advertisement, including a similar character, his accent, and the play on pronunciation. However, these resemblances related to the ideas and concepts in the Yellow Pages Advertisement rather than their expression, and were not sufficient to constitute the reproduction. He said that First Shannon Advertisement did not use substantially the same dialogue, and the setting or structure of First Shannon Advertisement was sufficiently different to fall well short of substantial reproduction.

Merkel J's analysis suggests that even if Merkel J accepted that copyright would subsist in a series of dramatic events, a film would only infringe such copyright if it was a faithful reproduction of the story and the plot of the series of dramatic events. Therefore, a film which faithfully followed the format's events and sequence of events may infringe, and a remake of the original may infringe, but a sequel or spin-off which only takes some of the characters or some of the events, or which plays the events out in a different sequence, may not infringe.

Merkel J noted that First Shannon Advertisement "conjured up" or "evoked" the Yellow Pages Advertisement and its ideas and concepts, without reproducing it. This echoes Conti J's comments at first instance in *The Panel* case⁴⁹ about the difference between satire which conjures up the original work without reproducing a substantial part of the original work, and parody and burlesque which reproduce a substantial part of the original work. Again, this suggests that a film that a sequel or spin-off which merely includes some of the characters or some of the events of the original, or a film which is "inspired by" another may not infringe copyright.

Passing off

Passing off protects the business and goodwill of a person. It does not protect the goods and services themselves.⁵⁰

For example, in *Reckitt & Colman Products Limited v Borden Inc*,⁵¹ Reckitt sold lemon juice in lemon shaped containers. The deception was not in the sale of plastic lemons, as Reckitt had no proprietary rights in lemon containers - the law of passing off does not supplant the laws of designs, copyright or patents. The deception was in selling containers *so fashioned as to suggest that the plastic lemons emanated from the same source* with which the plastic lemon containers were associated in the public's mind.

To bring an action in passing off, the claimant must establish

- (a) reputation in the relevant market in the relevant indicia;
- (b) another person's use of the relevant indicia constitutes a misrepresentation that the other's product is the original, or is otherwise associated, connected or endorsed by the claimant;

⁴⁹ *TCN Channel Nine v Network Ten* (2001) 50 IPR 335. The case later went on appeal to the Full Court, but this point was not considered by the Full Court

⁵⁰ *ConAgra Inc v McCain Foods (Aust) Pty Ltd* (1992) 23 IPR 193 per Lockhart J

⁵¹ *Reckitt & Colman Products Limited v Borden Inc* (1990) 17 IPR 1

- (c) damage or a likelihood of damage to the claimant's reputation, business or goodwill⁵²

Reputation

The claimant may have a reputation even if the relevant market is not aware of the particular person. It is sufficient that the relevant market associate the particular product with a particular source.⁵³

The claimant needs to demonstrate that it had a reputation in the relevant market in the relevant indicia. In *ConAgra*, Lockhart J said⁵⁴

“The tort of passing off protects the business of the plaintiff with its many facets: its assets, goodwill and reputation. It stops persons and companies gaining a commercial advantage through wrongfully taking the *attributes of another's business* if it causes or is likely to cause that other person's business some damage.”(emphasis added)

In *Telstra*, Merkel J considered the history of the Yellow Pages Advertisement, including its extensive televising for 6 years, reference to the Yellow Pages Advertisement in a marketing textbook, and expert evidence about the advertisement's success and popularity. Merkel J also considered Shannon's own market research including Shannon's focus group reports which stated that the focus groups recognised the Yellow Pages Advertisement as an historic, outstanding, iconic, talked about and much loved Yellow Pages [television commercial]” and Wilson's report which referred to the Yellow Pages Advertisement as “immensely popular and ..one of the best remembered on Australian TV”.

Merkel J held that Telstra's indicia of reputation were the character and the car in a problem solving context.

Misrepresentation

The claimant must prove that another's use of the relevant indicia constitutes a misrepresentation that the other's product or service is the original, or is otherwise associated, connected or endorsed by the claimant.

The suggestion may be vague and imprecise – it is sufficient if some form of association or connection is conveyed notwithstanding that the precise form of the association or connection may not be articulated or identified.⁵⁵

However, it is not sufficient to prove that a person has merely misappropriated a person's reputation. Passing off requires a misrepresentation. Thus, not every use of a person's indicia of reputation will be passing off.

⁵² ConAgra supra n46

⁵³ William Edge & Sons v William Nicholls & Sons Pty Ltd [1911] AC 693

⁵⁴ ConAgra supra n46 at 231

⁵⁵ Mark Foy's Pty Ltd v TVSN (Pacific) Ltd (2000) 104 FCR 61

It is not passing off to engage in ambush marketing – for example, if a person merely uses the occasion of an event to advertise a product or service and does not represent that they are associated with the event.⁵⁶

It is not passing off if the use of the indicia of reputation is qualified, for example if there are effective disclaimers.⁵⁷

It is not passing off if the indicia of reputation has been parodied or so corrupted, such as parody of a brand, so it is clear that the brand-owner would not have consented to the use of the indicia in that form, so it is clear that there is no association or connection between the brand-owner and the person using the indicia of reputation.

It is not passing off if it is inherently unlikely. For example, in the *Tabasco* case,⁵⁸ Lehane J considered that it was unlikely that a person seeking an exhibition design service in Australia would wonder whether a company called “Tabasco Design” based in Ultimo had a commercial connection of some sort with the US based maker of the spicy and hot sauce called “Tabasco”. Lehane J said

“The far more likely conclusion is, I think, that, without any association or permission the designer has - as the fact is - perhaps cheekily, used a name which, by reference to its only other known use, conjures up "hot" associations.”

It may be brazen, galling, outrageous, annoying, and difficult to explain to US multinational clients, but it is not passing off. It may be unfair but there is no generalised law against unfair competition,⁵⁹ and it may be unconscionable but there is no generalised law against unconscionability.⁶⁰

This ensures that the law of passing off does not impermissively intrude and overlap with the law of trade mark, and provides some measure of freedom of speech, robust competition and free exchange of ideas.

In *Telstra*, Merkel J said that the issue is whether Shannon’s advertisements represent that Telstra is in some way associated or connected with Shannons, its advertisements or products. Merkel J said that the only substantial case of misrepresentation was the First Shannon Advertisement.

Merkel J referred to a type of advertising called “secondary” or “suggestive” brand advertising⁶¹ which he described as advertising which conjures up a brand without referring to it, where images are so established and well-known that they create an impression of association or connection to a primary brand notwithstanding that the

⁵⁶ *South Australian Brewing Company Pty Ltd v Carlton & United Breweries Ltd* [2001] FCA 994 (unreported, 13/7/2001, Mansfield J), see also Kendall C and Curthoys J “Running rings around the sponsors: The Sydney Olympics and Ambush Marketing” (2000) 11 AIPJ 5

⁵⁷ *Twentieth Century Fox Film Corporation v South Australia Brewing Co Ltd* (1996) 66 FCR 451

⁵⁸ *McIlhenny Co v Blue Yonder Holdings Pty Ltd* 1997 39 IPR 187 ; see further McCabe B “When Trading Off Reputation of Others is Not Misleading or Deceptive” (1998) 6 TPLJ 51

⁵⁹ *Moorgate Tobacco Co Ltd v Phillip Morris Ltd* 1984 56 ALR 193

⁶⁰ *Australian Broadcasting Corporation v Lenah Game Meats Pty Ltd* (2001) 185 ALR 1 para 101 – 103 per Gummow and Hayne JJ

⁶¹ see analysis of “secondary branding” in *Anheuser-Busch Inc v Budejovicky Budvar* (2002) 56 IPR 182 (Budweiser beer), *Arsenal Football Club v Reed* (2001) 54 IPR 623 (Arsenal soccer emblem)

name of the brand does not appear, so that the image gives a ready impression of association or connection with the primary brand. He said⁶²

“Secondary branding or suggestive brand advertising occurs when a word, character, symbol or image creates, on its own instant recognition or association with a particular product or business.”

Merkel J then suggests that if the indicia of reputation are secondary brands, then any use of the indicia may represent an association or connection, and may be passing off. In particular, he said⁶³

“The adoption of such characters, symbols or images by another advertiser will usually raise the question of whether that advertiser is representing it, or its goods or services, have an affiliation, association or connection they do not have”

Merkel J then considered whether Telstra’s indicia of reputation were in fact a secondary brand, that is, whether the indicia of reputation are so connected to Telstra that it evokes Telstra notwithstanding that Telstra’s name or other indicia of reputation are not used. In particular, he relied on Shannon’s market research which stated that the focus group participants associated the character and the car in a problem solving context with Telstra.

Merkel J decided that Telstra’s indicia of reputation were a secondary brand. He then held that the overall impression created by showing First Shannon Advertisement upon a significant portion of ordinary and reasonable members of the relevant class of the public was that Telstra was in some way associated or connected with First Shannon Advertisement or locating the services offered in the advertisement.

Curiously, even though Merkel J relied on Shannon’s market research to establish that the character and car in a problem solving context were Telstra secondary brands, he neglected other comments in the focus group report and Wilson’s report that notwithstanding that the focus group participants associated the character and car with Telstra, none of them thought that the mock-up of First Shannon Advertisement had anything to do with Telstra.

However, Merkel J’s judgment does not mean that it is sufficient to establish that the indicia of reputation are secondary brands. Merkel J makes it clear that whether the use of the character and the car to solve a problem would result in secondary or suggestive brand advertising that would constitute a misrepresentation *depended on the manner and context in which that subject matter was employed*.⁶⁴

First, Merkel J held that that the *combination* of the character, car and the problem solving context in the First Advertisement was passing off. However, the use of the character and car without the problem solving context in Second Shannon Advertisement and the Shannon Radio Advertisements was not passing off. The combination was critical.

Second, Shannon played the character, the car and the problem solving context straight, there was no parody or corruption of the original. Merkel J noted that Shannon had

⁶² para 57

⁶³ para 57

⁶⁴ para 69 and 74

deliberately retained all of the features of the Telstra advertisement that made the Telstra advertisement famous, popular and instantly recognisable, because Shannon needed to do this to achieve its objective of instant recognition and response. Shannon wanted to “cut through the clutter of advertising” by using the memorability and instant recognition of the Yellow Pages Advertisement to grab the consumer’s attention. Shannon’s objectives would only be achieved if its advertisement drew on the features of the Yellow Pages Advertisement.

Third, there was no express disclaimer. Shannon argued that its advertisement featured Shannon’s logo. However, Merkel J said that the appearance of the Shannon logo was not inconsistent with the advertisement being a co-branded advertisement, with the advertisement also being a Telstra advertisement or one with which Telstra was associated or connected. Merkel J pointed out that Telstra’s customers are all businesses so there would be nothing anomalous about Telstra advertising its services together with one of its customers.

Merkel J’s analysis suggests that faithful reproduction of a format, or a faithful remake may constitute passing off. In addition, a sequel or spin-off which takes a key combination of characters, context and pivotal events may also constitute passing off.

However, the analysis suggests that a more original sequel or spin-off which takes characters and places them in a different context, or only takes some characters, or some scenarios, may not constitute passing off. In addition, a format, remake, sequel or spin-off which is a parody or corruption of the original, or which features prominent disclaimers, may not constitute passing off.

The analysis also suggests that merely using a character outside its context may not constitute passing off. Indeed, Merkel J held that the Shannon Second Advertisement and the Shannon Radio advertisements which featured the character did not constitute passing off. Merkel J also specifically states that he accepted Shannon’s argument that Telstra does not have proprietary rights or goodwill in the character. This is a significant departure from recent Australian cases⁶⁵ involving fictional characters where the courts held that using the character constituted passing off, notwithstanding that it was placed in a different context. Merkel J’s decision may have significant implications for character merchandising.

Relevant market

The definition of the relevant market is one key way of distinguishing *Telstra* from cases involving format rights, and the right to produce sequels, prequels, spin-offs, and remakes

The relevant market is the customers or prospective customers of the product or service.⁶⁶ In *Telstra*, the relevant market was the viewing public. Merkel J noted that the Shannon’s advertisement targeted motor enthusiasts, but was shown on commercial

⁶⁵ *Pacific Dunlop Pty Ltd v Hogan (Crocodile Dundee)* (1989) 23 FCR 553, *Twentieth Century Fox v South Australian Brewing (Duff Beer)* (1996) 66 FCR 451, *Childrens Television Workshop v Woolworths (Sesame Street)* (1981) NSWLR 273, see also Morgan “Mmmmm Beeeer - Character Merchandising in Australia & Duff Beer Case” (1997) 10 IPLB

⁶⁶ *ConAgra* supra n43

television to a large segment of the viewing public over a number of timeslots and in the course of a variety of programs.

In contrast, the relevant market for formats, sequels, spin-offs and remakes is not the general public. The relevant market are agents, film packagers, film financiers and investors, film and television producers, sales agents, distributors, and broadcasters. This is the relevant market. These are the creator's customers and potential customers, who the creator will deal with and try and sell their rights to.

Merkel J accepted that the result may have been different if it was a different market. In particular, Merkel said that Shannon's most compelling argument is the absence of Telstra branding and the presence of Shannon's branding. Merkel J said ⁶⁷

“there may be force in the argument if the viewing public consisted solely of persons who had insured with Shannons or were aware of its specialised products. Those persons might have responded to the advertisement by regarding it as a clever use of the Yellow Pages advertisement in an advertisement by Shannons insurance. That view, however, is predicated upon those persons being well aware of Shannons and the unique role it plays in insuring “special” vehicles.”

The producer's relevant market is a more sophisticated market than the general public. The relevant market is much more likely to be alive to disclaimers and rights management issues.

Actors

Merkel J's judgment may give pause to actors who appear in advertisements and in lead roles. There is always a creative risk that actors are “typecast”. This may now become a financial risk - if an actor's character becomes secondary or suggestive advertising, the actor will be tied to the primary brand. Merkel J notes that the actor in the Yellow Pages Advertisement had become known as “Mr Goggomobil.” The actor will be restricted from reprising key aspects of the character, which may be difficult for actors with limited range who appear to always play the same character. At the same time, there is no obligation on the primary brand-owner to continue using the actor.

Actors' agents should be aware of these risks, and negotiate accordingly. For example, agents could negotiate that the actor is exclusively used to play the character, or could negotiate that the actor receive a continuing royalty when the primary brand owner uses the character.⁶⁸

⁶⁷ para 77

⁶⁸ Thanks to Rachel Symes, Shanahan Management, for useful discussions on this issue